AEGON Asset Management

Sustainability Snippets

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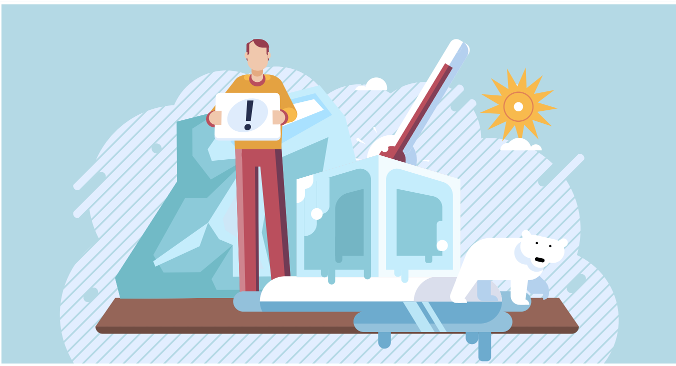
Climate deniers change course

A new study has found that climate change deniers have changed tack with their attempts to undermine the global transition to 1.5°C. Most climate change deniers now find it difficult to refute the existence of climate change given the large volume of scientific evidence. Is this a step forward? Well….



The Centre for Countering Digital Hate conducted a study of climate misinformation on YouTube and found that there is a significant shift in messaging: from "climate change doesn't exist", to "impacts from climate change are vastly overstated and everything will be ok".

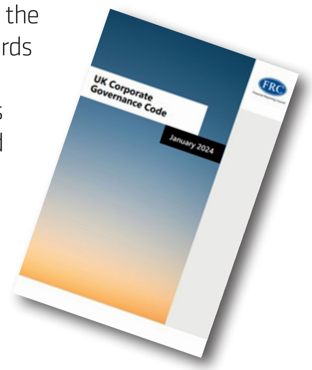
According to the study, in 2023 this 'New Denial' made up 70% of climate denial content on the video platform compared to just 35% in 2018.

These new style of denial videos, which are centred around impacts and solutions, tend to 'argue' that the impacts on climate change are beneficial or harmless, that climate solutions don't work, and that climate scientists are unreliable.

There is a particular concern over the age of YouTube viewers; 31% of teenagers agreed with the statement "climate change and its effects are being purposefully overexaggerated". Not an ideal sentiment from our future pension savers and business leaders.

Code Breakers or code Makers?

The Financial Reporting Council has updated the corporate governance code in the UK. The changes strengthen reporting on internal controls, which is welcome, but they back away from wider action on topics like sustainability, which is disappointing.



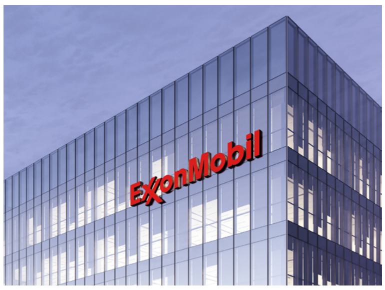
The main change to the code builds on the existing expectation that company boards monitor risk management and internal controls. In their annual reports Boards must explain how they have conducted this monitoring, though this has been scaled back from the original consultation that sought to assign accountability at board level. So, these are baby steps that we wished were a bit braver in protecting shareholder interests.

Are you Following this?

Is the Exxon versus Follow This case a microcosm of the broader environment for RI in the US?

Follow This is a non-profit organisation that files resolutions at major oil & gas companies' AGMs. Its resolutions, which call for climate action, had been gathering support since 2015 and it has been somewhat successful at applying pressure on the oil majors - although that support has tempered in the past couple of years.

Exxon sued the group over the latest climate proposal, which they then decided to remove from the AGM. But last week the oil & gas major said it will continue to pursue the lawsuit.



Exxon's lawsuit is unusual because companies rarely go to court over such matters. In normal circumstances a company would go to the Securities and Exchange Commission and ask for permission to remove it. In many ways, this is about Exxon trying to deliver a message to the US regulator that it has become too willing to let this type of resolution through. This could ultimately have major implications for shareholder rights and the boundaries of legitimate debate between a public company and its shareholders.

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The EU's route towards green industry goals.

China's dominance in green technology manufacturing, coupled with the allure of the Inflation Reduction Act drawing businesses towards the United States, has forced the EU to take action. In a significant step forward for European green tech manufacturing, the European Council recently reached a provisional agreement on the Net-Zero Industry Act, ensuring that the local industry remains competitive globally.

The Act is one of the three key legislative initiatives of the EU Green Deal, alongside the Critical Raw Materials Act and the Electricity Market Design Reform. The agreement mandates that future renewable energy auctions consider criteria beyond price, such as technology supply, environmental sustainability, contributions to innovation, and energy system integration.

These criteria, referred to as 'resilience criteria,' must apply to at least 30% of the auctioned volume annually per member state. The aim is to bolster European manufacturers of clean technology in their competition against inexpensive imports while diversifying the energy sector's supply chain.

Furthermore, member states with annual renewable energy tender volumes exceeding 6GW are obligated to allocate 30% of this volume based on resilience criteria, rather than solely prioritising the cheapest options. Additionally, the agreement imposes a cap on the annual imports of net-zero technologies from any single country at 50%.

And finally: It's not you, it's me

In the world of finance, commitment issues are as common as market fluctuations it seems. Take, for example, the CA100+, which is the world's largest investor group formed to fight climate change. It has suffered a few nasty breakups of late, with JP Morgan and State Street recently announcing a split from the investor group and Pimco pulling the plug just this Monday!

While others may be swiping left on their financial commitments, Aegon is committed to remaining a part of the group for the long term (how old fashioned of us!)